

FHA Lender System Update

Lender Electronic Assessment Portal (LEAP)

New Business Functionality
Recertification Process Changes
Title I and II Consolidation

2/5/2014



Agenda

- Lender Electronic Assessment Portal (LEAP) Overview
- New Business Functionality in LEAP
- Recertification Process Changes in LEAP
- Title I and II Consolidation
- Questions

Background

- As part of the FHA Transformation Initiative the Office of Lender Activities and Program Compliance is in the process of implementing system enhancements that enable a better and more timely means of identifying, mitigating, and managing risk.
- A major component of these efforts is the Lender Electronic Assessment Portal (LEAP).



What is LEAP?

- The Lender Electronic Assessment Portal (LEAP) is a new system that will become a one-stop shop for all Lender Approval and Recertification activities:
 - Managing institution and branch information
 - Performing lender profile functions like cash flow account setup
 - Submitting requests and notifications that are currently manual processes
 - Completing the annual Recertification process
- LEAP will replace LASS and the “Lender Approval” and “Cash Flow Account Setup” sections of FHA Connection.
- Lenders will access LEAP through FHA Connection and IPAs will access LEAP through HUD Secure Systems, just as they currently access LASS.
- LEAP will provide lenders with a consolidated institution-level view of their FHA business across Title I and II insurance types.

New Business Functionality in LEAP



Post-Approval Changes

- LEAP will automate several processes that are currently manual, including institution profile changes that require the lender to submit requests to FHA.
- Requests are still subject to FHA review, but lenders will submit them through LEAP.
- Examples include:
 - Fiscal Year End changes
 - Lender Name changes
 - Corporate Officer changes
 - Voluntary withdrawals

Notices of Material Events

- Lenders will also notify FHA of material events and business changes through LEAP. Requirements for these notices are detailed in Chapter 6 of FHA Handbook 4060.1.
- Examples include:
 - Bankruptcies
 - Business form changes
 - Changes of partnership
 - Net Worth/Liquidity deficiencies
 - Operating losses
 - Supervision changes

Recertification Process Changes in LEAP



Recertification Change Overview

- LEAP will replace LASS and existing Recertification steps in FHA Connection. This will result in several changes to the Recertification process, including:
 - Annual certification changes
 - Financial reporting segments
 - Lender data entry changes
 - IPA attestation changes
- The timing of LEAP go-live also necessitates extensions to the timeline for some lenders to recertify and submit financial documents.

Annual Certification

- Unable to Certify process:
 - LEAP will allow lenders to indicate which specific certification statements they can or cannot complete.
 - Lenders that are unable to certify all statements will upload supporting documents into LEAP for FHA review.
- Limit on Corporate Officers with Certification Authority
 - There will be a *maximum of 3 users with annual certification authority* for each institution in LEAP.
 - For lenders with both Title I and II authority, this maximum will apply across the entire consolidated institution.
 - FHA Connection Application Coordinators will continue to assign annual certification authority to specific users, who must be Corporate Officers.

Financial Reporting Segments

- Financial reporting requirements for each of the groups – or “segments” – below are outlined in Chapter 7 of the OIG Audit Guide:
 - Non-Supervised
 - Large Supervised
 - Small Supervised
 - Investing
- LEAP will use each lender’s institution profile and financial data from the prior fiscal year to assign it to the correct segment.
- Audit Related Questions (ARQs) and Financial Data Templates (FDTs) in LEAP will be tailored for each segment.
- **Process change:** Institutions identified as Small Supervised lenders will be required to submit financial documents and data through LEAP. See Mortgagee Letter 2012-29 for more detail.

Lender Data Entry

- Audit Related Questions (ARQs) and Financial Data Templates (FDTs) are streamlined in LEAP – they only include the line items that *FHA needs in order to support evaluation of a lender's financial standing*.
- Updated, on-screen definitions for each line item will add clarity on what information we expect you to input.
- ARQ and FDT tools for each segment will be available on hud.gov/lenders to aid IPAs and lenders with LEAP data entry and document upload functions.
 - Look for the “LEAP Information” link in the Lender Approval and Recertification section.
- **Process change:** Only lender users (with an “M” ID number in FHA Connection) will be able to complete the ARQ and FDT in LEAP.

IPA Attestation

- The lender's Independent Public Accountant (IPA) will continue to complete the Agreed Upon Procedures (AUP), or attestation, for audited financial data entered into LEAP.
- IPAs may use the Financial Data Template (FDT) tool to generate hard copy FDTs for comparison to lender-entered data while performing the attestation in LEAP.
- IPA attestation will not be required for small supervised lenders.

Recertification Timing

- Mortgagee Letter 2013-42 speaks to temporary Recertification timing changes due to the transition to LEAP.
- Lenders with a fiscal year end of November 30, 2013 will be the final cohort to use FHA Connection and LASS for Recertification.
- Lender and IPA access to LASS will be shut off as of March 31, 2014.
 - If historical LASS Recertification data is needed after March 31, lenders and IPAs must contact the FHA Resource Center with specific data requests.
- Lenders with a fiscal year end of December 31, 2013 must complete all Recertification steps in LEAP, but will be unable to access LEAP within the standard 90-day timeframe.
 - FHA has extended the due date for these lenders to 30 days after LEAP go-live.
 - These lenders and their IPAs are encouraged to complete the Audit Related Questions (ARQ) and Financial Data Template (FDT) tools in advance in order to expedite LEAP data entry and document upload functions.

Title I and II Consolidation



What Changes is FHA Making ?

- FHA is consolidating Title I and II ID numbers for all lenders that share a common Tax Identification Number.
 - Instead of separate FHA Lender IDs for Title I and II, each lender will have one 5-digit institution-level ID.
 - All 10-digit branch IDs (including home office) for each institution will reflect this change.
 - See Mortgagee Letter 2013-35 for details.
- LEAP will provide a single institution-level view of each lender, including Title I and II “authorities.”
 - FHA will continue to approve lenders for each authority based on specific requirements.

Why is FHA Consolidating Title I and II ID Numbers?

- Improves risk management
- Increases efficiency (e.g., reporting, operational oversight)
- Helps to streamline the annual recertification process:
 - Lenders will pay a single recertification fee
 - Lenders will submit one set of financial documents
- Grants users single access to LEAP and other FHA systems with a consolidated institution-level view

When Will Changes Take Place?

- Consolidation will take place in two phases:
 - Phase 1: Lender ID consolidation – Title I ID changes – will take effect Monday, March 31, 2014.
 - Phase 2: Additional lender data consolidations will coincide with the April 2014 LEAP go-live.
- FHA will automatically implement all consolidations.
- Lenders currently approved for both Title I and II will maintain both authorities.

Will Changes Impact You?

- A list of Title I IDs that will change as a result of the consolidation is available at hud.gov/lenders.
 - Look for the “LEAP Information” link in the Lender Approval and Recertification section.
- In the coming days, FHA will notify each impacted Title I lender by email with its specific 10-digit ID changes.

Consolidation Phase 1: ID Changes

- On March 31, 2014 Title I IDs (5-digit) will change to match either the lender's Title II ID or a Net New ID.
 - All corresponding 10-digit ID changes will also take effect.
- All lender profile information and loan history for existing Title I IDs will be transferred to the new IDs. This includes:
 - Active/inactive loans
 - In-process loans
 - Reserves
 - Merger history
 - Cash Flow payment account numbers
 - FHA Connection users

Home Office Details

- On March 31, 2014 the Title I home office will change to match the current Title II home office.
 - 10-digit home office ID will change to match.
- All home office address information – including “attention” lines and administrative contact info – will change to match the current Title II home office information.
 - Lenders who want to maintain the current Title I home office address *as a branch* must submit a request to the Lender Approval and Recertification Division.

Consolidation Phase 2: Other Data

- At go-live, LEAP will consolidate additional data in order to reflect a single institution view for each lender.
- Examples include:
 - Corporate Officers – consolidated list from each current ID
 - Full-Time Officer – current Title II remains
 - EFT Account Numbers – current Title II accounts
 - Historical approval dates – oldest date survives

LEAP Transition Period

- A transition period of at least 2 weeks will proceed LEAP go-live for HUD/FHA system cutover and data conversions:
 - Exact dates to be announced in March 2014.
 - Lenders will not be able to make changes to any institution profile information during this time.
 - No impact on loan processing.

Timeline Recap

- LEAP go-live is scheduled for April 2014.
 - Consolidation of Title I and II Lender IDs will be effective March 31, 2014.
 - Cutover from existing HUD/FHA systems to LEAP will require a transition period of at least 2 weeks in advance of LEAP go-live.

What Do Lenders Need to Do?

- Prior to March 31 Title I and II consolidation:
 - Prepare for any necessary system or process changes to accommodate new Title I IDs.
 - Lenders and IPAs are encouraged to get any necessary historical LASS Recertification data directly from LASS.
 - After March 31, lenders and IPAs must contact the FHA Resource Center with specific LASS data requests.
- On March 31, 2014:
 - Impacted Title I lenders should verify that new lender IDs accurately inherited institution profile information, insured loan portfolios, reserve balances, Cash Flow accounts, and historical data.
 - FHA Connection users – including IPAs – for impacted Title I lenders should verify that their access and authorities were maintained.

What Do Lenders Need to Do?

- Prior to the April transition period:
 - Review and update existing institution profile information in FHA Connection.
 - Review and update corporate officers, branch managers, and regional managers.
- Notification of corporate officer changes must be sent to the following address:

U.S. Department of Housing and Urban Development
Office of Lender Activities and Program Compliance
Attn: Director, Lender Approval and Recertification Division
451 7th Street, SW Room B-133/P3214
Washington, DC 20410

What Do Lenders Need to Do?

- After LEAP Go-Live:
 - All lenders should confirm the accuracy of their institution profile information in LEAP.
 - Lenders with a fiscal year end of December 31, 2013 must complete all Recertification steps in LEAP within 30 days.

Outreach

- Additional information will be posted and updated on our website at hud.gov/lenders.
 - Look for the “LEAP Information” link in the Lender Approval and Recertification section.
- Lenders may contact the FHA Resource Center at any time
 - 1-800-CALL-FHA or TTY: 1-800-877-8339
 - answers@hud.gov

Questions?

